

**Contract Improvement Process
Risk Assessment and Categorization
September 22, 2006**

Categorization (no Risk Assessment needed):

- Low Risk:
 - Modification tools
 - Amendments that do not change the scope of the contract
- High Risk:
 - Limitation of Liability of vendor
 - Change to Indemnity provision

Risk Assessment

- Completed for ALL contracts other than the categorization types above
- Completed by Program Staff. Agency could override the assessment of Program Staff
- Factors (if yes, then low risk or if low score, then low risk):
 - Dollar amount below:
 - Agencies with large contracts (\$500,000 to \$1 million)
 - All other agencies (\$100,000)
 - Contract uses standard State template language (Statewide wizard)
 - Clearly defined statement of work
 - Prior good experience with contractor – contract has been successfully performed in the past with no negative impacts
 - Complexity
 - Lack of future variables that will impact contract over which agency has no control
 - Nature of contract is low risk – not involving IT services and software, operation of prisons, purchase of real estate, construction contracts, inherently dangerous activities, or hazardous materials
 - Other factors
- Agency would either:
 - Answer each question above with a Yes (low risk) or No (high risk), and then use judgment to categorize the contract
 - if all are Yes, then Low Risk,
 - if all are No then high risk
 - if a few are Yes and these are more important than the No's then Low Risk
 - Answer each question on a scale of 1 to 5 and then depending on the total score, categorize the contract as high or low risk